



*Roberta Meyer*  
*Vice President & Associate General Counsel*  
*(202) 624-2184 t (202) 572-4808 f*  
*robbiemeyer@acli.com*

September 6, 2007

Via Electronic Delivery

Federal Trade Commission  
Office of the Secretary  
Room H-135 (Annex K)  
600 Pennsylvania Avenue, N.W.  
Washington, DC 20580

Re: SSNs In The Private Sector - Project No. P075414

Ladies and Gentlemen:

The American Council of Life Insurers ("ACLI") is pleased to provide comments to the Federal Trade Commission in response to the Commission's request for public comment on private sector uses of Social Security Numbers ("SSNs"). The Commission's request stems from the recommendation of the President's Identity Theft Task Force that the Task Force agencies develop a comprehensive record on the private sector's uses of SSNs and evaluate their necessity. ACLI is the principal trade association of life insurance companies whose 373 member companies account for 93 percent of the assets of legal reserve life insurance companies in the United States, 91 percent of life insurance premiums and 95 percent of annuity considerations. ACLI members are also major participants in the pension, long term care insurance, disability income insurance, and reinsurance markets.

ACLI member companies are committed to combating identity theft by reducing the ability of identity thieves to make fraudulent use of SSNs. ACLI member companies have implemented security procedures that are designed to thwart the ability of identity thieves to obtain their customers' personal information that could be used to perpetrate identity theft. At the same time, however, ACLI member companies are required by federal and state law to collect, maintain and use SSNs in connection with numerous insurance business activities, and to use SSNs to fulfill numerous government mandated filing requirements. In light of governmental use of the numbers as a universal identifier and the fact the numbers are the most effective identifier available to business as well as government, SSNs are also inextricably intertwined with life insurers' internal verification and administrative processes.

ACLI believes that life insurers' use of SSNs reflects the appropriate balance between protection against identity theft and life insurers' need to use SSNs to meet governmental requirements and to most effectively serve their existing and prospective customers. Accordingly, ACLI is pleased

to present the following comments in response to the Commission's request.

### *Current Private Sector Collection and Uses of the SSN*

- What businesses and organizations collect and use SSNs? For what specific purposes are they used?
- Are governmental mandates driving the private sector's use of the SSN?

### Use of SSNs to Comply with Federal and State Laws

Because SSNs are uniquely identified with specific individuals, federal, state and local laws require insurers to collect, maintain and report information that includes SSNs. The federal government, as well as virtually every state and local government, requires insurers to periodically report income, interest, dividends and certain other taxable payments to the appropriate taxing authorities. See IRS Form 1099.

Increasingly, the government is implementing programs that require insurers to collect, maintain and report information that includes individuals' SSNs. For example, U.S. Treasury Department regulations adopted under the USA PATRIOT Act require life insurers to establish programs designed to prevent money laundering and terrorist activities.<sup>1</sup> The Treasury's regulations require insurers to obtain all relevant customer-related information necessary for an effective anti-money laundering program.<sup>2</sup>

Life insurers obtain and use SSNs to meet "know your customer" obligations under the Treasury's regulations. The law requires certain insurers to establish customer identification programs and gather specified information about prospective customers, including their SSNs. Insurers are required to verify a customer's identity. The preferred method of verification involves obtaining information from third parties that administer commercial databases and create consumer profiles that enable life insurers to conclude that the applicant is the individual represented. SSNs are the key data element for insurers to link to commercial databases to verify customer identities.

Life insurers use SSNs to ensure that an applicant, beneficiary, or claimant is *not* an individual on the Treasury Department's Office of Foreign Asset Control ("OFAC") list of persons with whom transactions are prohibited. In order to confirm that a policyholder or beneficiary, whose name is identical or similar to the name of a person on the list, is not the individual on the list, life insurers must rely upon commercial databases. SSNs are the key element in determining whether the policyholder or beneficiary is the person on the OFAC list.

Treasury Department regulations also require insurers to report suspicious transactions relevant to a possible violation of law or regulation to FinCEN.<sup>3</sup> FinCEN's Suspicious Activity Report requires insurers to provide the subject's SSN to the government.<sup>4</sup> Government regulations also

---

<sup>1</sup> 31 C.F.R. § 103.137.

<sup>2</sup> 31 C.F.R. § 103.137(c)(1).

<sup>3</sup> 31 C.F.R. § 103.16(b). The Financial Crimes Enforcement Network is the Treasury Department office that implements and oversees the government's anti-money laundering and antiterrorism programs.

<sup>4</sup> See FinCEN Form 101, item 14.

require insurers and other businesses to report currency transactions when cash in an amount over \$10,000 is received or is paid to a customer.<sup>5</sup> The form for this report, FinCEN Form 104, Currency Transaction Report, requires firms to obtain and report the SSN of the person who is the subject of the report.

State escheat laws require insurers to report SSNs when transferring unclaimed property to the state.<sup>6</sup> Life insurers use SSNs to meet the requirements of state laws that prohibit life insurers from making benefit payments until they have checked to see if the payee is on a state “deadbeat” parents list or on a list of persons who have not paid their state taxes.<sup>7</sup> Life insurers are required under some states’ laws to provide SSNs in biographical affidavits of executives and officers, filed with state insurance departments in connection with company licensing. Life insurers that participate in long term care partnership plans are required by state regulations to file SSN’s of certain applicants, insureds, and claimants with state Partnership Program offices.<sup>8</sup>

### Administrative Uses of SSNs

Life insurers use SSNs in conjunction with commercial databases to generally verify the identity of applicants for new coverage or policyholders/insureds seeking service under existing contracts. SSNs are also used in conjunction with commercial databases to verify other information provided on applications for new coverage or benefits payments.

Life insurers use SSNs as part of application and claims processes to ensure they obtain medical records of correct individuals from health care providers. Member companies report that many health care providers generally require a person’s SSN in order to ensure that the correct person’s medical records are provided.

SSNs are included in communications to new policyholders to confirm issuance of a new insurance policy or the establishment of a new account and to verify accuracy of the number and the identity of the new customer.

SSNs are widely used in connection with life insurers’ administration of employee benefit and other retirement plans. Insurers use SSNs to ensure that contributions are credited to the accounts of the correct individuals. They use SSNs to ensure the accuracy of payroll and tax reporting of contributions and the accuracy of reports sent by life insurers to their institutional customers. Plan administrators also use SSNs to monitor unusual trading in a particular individual’s account in order to detect possible fraud or criminal activity. Finally, SSNs are used to locate former employees to provide them information about benefits payable under a plan, when the employee has left the employer without providing a forwarding address and “abandoned” the plan.

Because life insurers typically do not have customer account numbers for policyholders’ accounts maintained at other financial institutions, life insurers use SSNs in connection with transfers of assets to other financial institutions, to ensure that assets are credited to the account of the correct person. Use of SSNs for these transfers facilitates the accurate transfer of assets and helps to reduce error, delay and misdirected assets.

---

<sup>5</sup> 31 C.F.R. § 103.30.

<sup>6</sup> See, e.g., California (Cal. Code Regs. Tit. 2, § 1174); Texas (Tex. Prop. Code Ann. § 74.101).

<sup>7</sup> Mass. Gen. Laws Ann. ch. 62E:3 and ch. 62E:4.

<sup>8</sup> See, e.g., 22 CCR 58077 (Barclays Official California Code of Regulations).

Life insurers' call centers request SSNs, generally as one of several factors, to authenticate customers who call with requests for service or for product or account information or status.

In order to avoid duplication in payment of benefits, prior to payment of claims under disability income insurance policies, insurers use SSNs to obtain information from the Social Security Administration ("SSA") to determine whether the SSA has previously paid benefits related to the same claim.

SSNs are also used by life insurers in connection with background checks to verify the identity of prospective employees and agents, and to check for possible past criminal activity. Some life insurers also use SSNs as a common identifier for independent contractor agents. For large companies, with different business units that handle their own licensing arrangements, the most effective way to coordinate or verify whether another unit has already appointed an individual is through use of a SSN.

#### Use of SSNs to Locate Policies

Life insurers use SSNs to identify policies owned by or insuring an individual who does not have the policy number available when a service request is made.

Life insurers use SSNs to locate lost or forgotten policies and as the fastest and most accurate way to access information on policyholders and insureds who have multiple policies and do not have the account or policy numbers readily available.

Some life insurers use SSNs to determine whether the insurer has other policies insuring a deceased individual in addition to the policy identified by a beneficiary on a claim form.

- Are there alternatives to these uses of the SSN?

ACLI does not believe that alternatives exist for the uses specified above. Because they are unique and never change, SSNs are the universal identifier of choice for governmental requirements. Virtually all state and federal laws that require insurers to report information such as income, dividends and benefits require insurers to report the payee's SSN as well.

SSNs are the most effective identifier available to business and government. A person's name, address, occupation and other personal characteristics may change over time. SSNs do not change throughout a person's life. This is particularly important in connection with the administration of life insurance products that may remain in force for decades, or provide coverage "from cradle to grave." Using an alternative could result in incomplete or inaccurate customer records and the reporting of inaccurate information.

- What has been the impact of state laws restricting the use of the SSN on the private sector's use of the SSN?

States that have enacted SSN legislation generally prohibit the public display of SSNs. Among other things, the laws may also require that SSNs be encrypted or secured before transmission over the Internet. Significantly, these laws recognize the critically important role SSNs play in verifying customer identities and, accordingly, do not prohibit businesses from using SSNs as part of identification and authentication procedures or "for internal verification or administrative

purposes.” As a result, ACLI believes that state SSN laws currently in effect have appropriately not made it more difficult for life insurers to make legitimate use of SSNs.

### *The Role of the SSN as an Authenticator*

- The use of the SSN as an authenticator – as proof that consumers are who they say they are – is widely viewed as exacerbating the risk of identity theft. What are the circumstances in which the SSN is used as an authenticator?

ACLI has presented above the many ways in which life insurers use SSNs as an authenticator, although it is often difficult to distinguish use of the numbers as authenticators versus identifiers.

- Are SSNs so widely available that they should never be used as an authenticator?

ACLI believes that SSNs are a critical factor in life insurers’ customer authentication processes. However, it is our understanding that in responding to individuals’ requests for information about policies or coverage, life insurers customarily require additional personal information, known only to the correct person, before information is disclosed, particularly in connection with inquiries or requests made to call centers.

- What are the costs or other challenges associated with eliminating the use of the SSN as an authenticator?

Elimination or prohibition of use of SSNs as an authenticator would require major changes to life insurers’ systems and operations -- due to the difficulty of distinguishing between use of SSNs as authenticators versus identifiers and the fact that the numbers are an essential component of life insurers’ internal processes. Accordingly, it is difficult to estimate the potential cost of such changes. However, it is clear that they would be extremely expensive. Moreover, it is ACLI’s view that elimination or prohibition of life insurers’ use of SSNs as authenticators would result in less efficient identity verification procedures and increase the likelihood of fraud and identity theft.

### *The SSN as an Internal Identifier*

- For entities that have not moved away from using the SSN as an internal identifier, what are the barriers to doing so?

In light of governmental collection, maintenance and reporting requirements applicable to life insurers, SSNs have become inextricably intertwined with life insurers’ internal identification procedures. Accordingly, ACLI believes that life insurers cannot move away from using SSNs as internal identifiers without jeopardizing their ability to comply with governmental requirements, to maintain accurate customer records, and to most effectively and efficiently serve their prospective and existing customers.

### *The Role of the SSN in Fraud Prevention*

- Many segments of the private sector use the SSN for fraud prevention, or, in other words, to prevent identity theft. How is the SSN used in fraud prevention?
- Are alternatives to the SSN available for this purpose? Are those alternatives as effective as using the SSN?

Because of their uniqueness, life insurers use SSNs to prevent and detect fraud and identity theft as explained above. SSNs are the most effective means of identifying individuals and matching people with personal data. The SSN is the critical information that ties disparate information together. SSNs are the key data element for insurers to link to commercial databases for identity verification and compliance with federal and state law. This connection facilitates the ability of insurers to verify the identity of existing and prospective policyholders and beneficiaries and information submitted on applications for new coverage and benefits.

The life insurance industry is proud to say that it uses SSNs responsibly and maintains them in a safe and secure manner. ACLI member companies do not believe that there are any viable alternatives to the use of SSNs. Any alternative would be less efficient and could have the unintended effect of increasing the likelihood of fraud and identity theft.

### *The Role of the SSN in Identity Theft*

Life insurers report that they have experienced very few incidents of identity theft. Accordingly, ACLI believes that life insurers' use of SSNs is not a material factor or contributor to incidents of identity theft.

ACLI appreciates the opportunity to respond to the Commission's request for comment on the important issue of uses of SSNs. If you have additional questions, please feel free to contact me.

Sincerely,

Roberta Meyer